Lowering of interest rate of Post Office and Bank accounts

1405. SHRI V. GOPALASAMY:

SHRI S. S. AHLUWALIA:

SHRI JAGDISH PRASAD MATHUR:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have announced recently the lowering of interest rates of Post Office and Bank accounts of various schemes in the country;

(b) if so, what are the details thereof;

(c) what are the reasons for lowering the interest rates on savings;

(d) whether Government have examined its likely impact on the deposits in Post Offices and Banks; and

(e) if so, what are the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) to (c) The structure of interest rates of commercial banks is determined by Reserve Bank of India (RBI) taking into account a number of factors like the growth rate of economy and its sub-sectors, the rate of inflation, the pace of monetary expansion, the cost of raising resources by banks, the profitability of the banks etc. Keeping in view the above factors RBI revises the interest rates structure from time to time. As per directives issued by RBI to commercial banks, effective 2nd September, 1993, interest rates for maturity of 46 days to three years and above were reduced by 1 per cent point from not exceeding 11.0 per cent per annum to not exceeding 10.0 per cent per annum'. The rate has also been reduced by 1 per cent point from 6.0% to 5.0% effective for 1st July, 1993 in respect of Savings Banks deposits. The above reduction in interest rates of banks deposits was made in consonance with the declaration in the annual inflation rate. Interest rates on Post Office time and recurring deposits and 6 years' monthly income schemes have also been reduced by 1 to 1.5 percentage points.

(d) and (e) Growth of bank deposits and small savings in a region and in a particular year depends on the number of factor including rate of growth of economy, the inflation rate, the relative attractivness for the ohter instrument of savings. Keeping in view the above factors there is unlikely to be any adverse effect on the flow of these deposits and small savings.

Tax Holiday Scheme

1406. SHRI S. S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that in the General Budget 1993-94 "Tax holiday" scheme was introduced by Government for a specified period for the Industrially backward States of north eastern region;

(b) if so, what are the details thereof;

(c) whether it is also a fact that Bihar was not included in the list of State for the scheme despite the fact that the State lies in the Eastern region and is one of the most industrially backward States of the Country;

(d) if so, what were the reasons for non-inclusion of Bihar in the "Tax holiday" Scheme by Government;

(e) whether Government propose to extend Tax holiday Scheme to Bihar also in the near future; and

(f) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHARA MURTHY): (a) Yes, Sir. Tax holiday scheme introduced in General Budget 1993-94 is for the backward States and Union Territories as specified in the Eighth Schedule.

(b) The five-year tax holiday provision under section 80-IA, introduced by the Finance Act, 1993 is available for new industrial undertakings which start production after 1-4-1993 but before 31-1-1998 in backward States specified in the Eighth Schedule to the Income-tax Act.